

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>TOWNSHIP OF GRANT</b>	County <b>IOSCO</b>
Audit Date <b>03/31/2005</b>	Opinion Date <b>06/07/2005</b>	Date Accountant Report Submitted to State: <b>09/16/2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <b>STEPHENSON, GRACIK &amp; CO., P.C.</b>			
Street Address <b>325 NEWMAN STREET, PO BOX 592</b>	City <b>EAST TAWAS</b>	State <b>MI</b>	ZIP <b>48730</b>
Accountant Signature  <b>Donald W. Brannan CPA</b>		Digitally signed by Stephenson, Grack and Co., P.C. DN: cn=Stephenson, Grack and Co., P.C., c=US Date: 2005.02.14 14:30:02 -05'00'	



*Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

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Donald W. Brannan, CPA  
Kyle E Troyer, CPA

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Herman A Bertuleit, CPA

TOWNSHIP OF GRANT  
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT  
YEAR ENDED MARCH 31, 2005

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## AUDITORS' REPORT

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# *Stephenson Gracik & Co., P.C.*

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Herman A Bertuleit, CPA

June 7, 2005

## Independent Auditors' Report

Members of the Township Board  
Township of Grant  
Iosco County, Michigan

We have audited the accompanying financial statements of each major fund and the remaining fund information of the Township of Grant, Iosco County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise a portion of the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 2, management has not presented the management discussion and analysis and the government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of the management discussion and analysis and the government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Grant, Iosco County, Michigan, as of March 31, 2005, or the changes in its financial position for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2005, on our consideration of the Township of Grant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 2, the Township of Grant has partially implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of March 31, 2005.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Stephenson, Gracik & Co., P.C.*

TOWNSHIP OF GRANT  
Iosco County, Michigan

BALANCE SHEET  
 GOVERNMENTAL FUNDS  
March 31, 2005

	General	Road Fund	Fire Fund	Refuse Collection Fund	Other Governmental Funds Street Lights Fund	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents (Note 3)	\$ 299,530	\$ 110,982	\$ 163,997	\$ 218,884	\$ 7,563	\$ 800,956
Investments (Note 3)	101,838	0	0	0	0	101,838
Taxes receivable	5,355	7,389	7,826	10,419	994	31,983
Due from other units	4,571	0	0	0	0	4,571
Due from other funds (Note 4)	19,134	3,905	0	0	0	23,039
Total Assets	<u>\$ 430,428</u>	<u>\$ 122,276</u>	<u>\$ 171,823</u>	<u>\$ 229,303</u>	<u>\$ 8,557</u>	<u>\$ 962,387</u>
<u>LIABILITIES AND FUND EQUITY</u>						
<u>Liabilities</u>						
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 1,826	\$ 1,226	\$ 3,052
Accrued liabilities	3,037	0	0	0	0	3,037
Due to other funds (Note 4)	1,228	0	3,809	17,340	0	22,377
Total liabilities	<u>4,265</u>	<u>0</u>	<u>3,809</u>	<u>19,166</u>	<u>1,226</u>	<u>28,466</u>
<u>Fund Equity</u>						
Fund balances:						
Unreserved:						
Undesignated, reported in:						
General fund	426,163	0	0	0	0	426,163
Special revenue funds	0	122,276	168,014	210,137	7,331	507,758
Total fund equity	<u>426,163</u>	<u>122,276</u>	<u>168,014</u>	<u>210,137</u>	<u>7,331</u>	<u>933,921</u>
Total Liabilities and Fund Equity	<u>\$ 430,428</u>	<u>\$ 122,276</u>	<u>\$ 171,823</u>	<u>\$ 229,303</u>	<u>\$ 8,557</u>	<u>\$ 962,387</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF GRANT  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
For the Year Ended March 31, 2005

	General	Road Fund	Fire Fund	Refuse Collection Fund	Other Governmental Funds Street Lights Fund	Total Governmental Funds
<u>Revenue</u>						
Current property taxes	\$ 71,096	\$ 82,875	\$ 86,727	\$ 115,665	\$ 0	\$ 356,363
Licenses and permits	2,057	0	0	0	0	2,057
State grants and revenue	107,971	0	0	0	0	107,971
Charges for services	4,173	7,032	15,688	0	0	26,893
Interest and rentals	5,694	0	896	1,714	45	8,349
Other revenue	3,835	0	1,505	325	8,974	14,639
Total revenue	<u>194,826</u>	<u>89,907</u>	<u>104,816</u>	<u>117,704</u>	<u>9,019</u>	<u>516,272</u>
<u>Expenditures</u>						
General government:						
Township board	21,015	0	0	0	0	21,015
Township supervisor	14,211	0	0	0	0	14,211
Elections	3,030	0	0	0	0	3,030
Township assessor	34,602	0	0	0	0	34,602
Township clerk	18,147	0	0	0	0	18,147
Board of review	1,312	0	0	0	0	1,312
Township treasurer	27,040	0	0	0	0	27,040
Township hall	9,442	0	0	0	0	9,442
Cemetery	1,101	0	0	0	0	1,101
Public safety:						
Fire protection	0	0	47,705	0	0	47,705
Public works:						
Highways, streets and bridges	0	32,696	0	0	0	32,696
Street lighting	0	0	0	0	15,168	15,168
Refuse collection	0	0	0	77,145	0	77,145
Community and economic development:						
Planning and zoning	8,145	0	0	0	0	8,145
Recreation and culture:						
Parks and recreation	15,104	0	0	0	0	15,104
Capital outlay	<u>0</u>	<u>0</u>	<u>125,334</u>	<u>0</u>	<u>0</u>	<u>125,334</u>
Total expenditures	<u>153,149</u>	<u>32,696</u>	<u>173,039</u>	<u>77,145</u>	<u>15,168</u>	<u>451,197</u>
Excess of revenue over (under) expenditures	<u>41,677</u>	<u>57,211</u>	<u>(68,223)</u>	<u>40,559</u>	<u>(6,149)</u>	<u>65,075</u>
<u>Other Financing Sources (Uses)</u>						
Operating transfers in	2,000	25,000	0	0	6,000	33,000
Operating transfers out	<u>(31,000)</u>	<u>0</u>	<u>0</u>	<u>(2,000)</u>	<u>0</u>	<u>(33,000)</u>
Total other financing sources (uses)	<u>(29,000)</u>	<u>25,000</u>	<u>0</u>	<u>(2,000)</u>	<u>6,000</u>	<u>0</u>
Excess of revenue and other sources over (under) expenditures and other uses	12,677	82,211	(68,223)	38,559	(149)	65,075
Fund balances - beginning of year	<u>413,486</u>	<u>40,065</u>	<u>236,237</u>	<u>171,578</u>	<u>7,480</u>	<u>868,846</u>
Fund balances - end of year	<u>\$ 426,163</u>	<u>\$ 122,276</u>	<u>\$ 168,014</u>	<u>\$ 210,137</u>	<u>\$ 7,331</u>	<u>\$ 933,921</u>

The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF GRANT  
Iosco County, MichiganSTATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
March 31, 2005

	<u>Tax Account</u>
<u>ASSETS</u>	
Cash and cash equivalents (Note 3)	\$ <u>2,336</u>
<u>LIABILITIES</u>	
Due to local units	\$ 1,674
Due to other funds (Note 4)	<u>662</u>
Total Liabilities	\$ <u>2,336</u>

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF GRANT  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Grant have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The following is a summary of significant accounting policies.

A. Description of Township Operations and Fund Types

The Township of Grant operates under an elected Township Board (five members) and provides services to its residents in many areas including fire protection, road maintenance, street lighting and refuse collection.

The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, except as noted in Note 2. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

Education services are provided to citizens through the local school districts which are separate governmental entities and are not a part of this report.

B. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes and state revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

The other governmental funds of the Township account for resources whose use is restricted for a particular purpose.

**Fiduciary Fund**

Fiduciary fund reporting focuses on net assets and changes in net assets. This fund is used to account for assets held in trust or as an agent for others, and consists of the Current Tax Collection Fund.



TOWNSHIP OF GRANT  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUE D)

C. Basis of Presentation

The Township's basic financial statements consist of fund financial statements which provide a detailed level of financial information.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at a detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. All of the Township's funds are considered major funds, except for the Street Lights Fund. Fiduciary funds are reported by type.

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions:

On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Township, available means expected to be received within 60 days after year-end.

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, licenses and permits, state-levied locally shared taxes (including sales tax), grants, interest and rent.

TOWNSHIP OF GRANT  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

Expenditures:

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Budgets and Budgetary Accounting

The Township normally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township clerk submits a proposed operating budget to the Township Board which includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Township Board.

H. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

TOWNSHIP OF GRANT  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2005

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2005, the Township has implemented, with exceptions as noted below, Governmental Accounting Standards Board (GASB) Statement Number 33 "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement Number 36 "Recipient Reporting for Certain Shared Non-Exchange Revenue," which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting; GASB Statement No. 34, "Basic Financial Statements -and Management's Discussion and Analysis -for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the Township's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type. The government-wide financial statements split the programs between governmental activities and business-type activities.

The Township did not adopt GASB 34 and GASB 37 in its entirety, as permitted by the Local Audit and Finance Division of the Treasury Department of the State of Michigan (State of Michigan), because the Township believes that the cost of implementing the statements may exceed the benefit of the additional information. However, because management has not recorded certain fixed assets in the governmental activities and because the amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable, an adverse opinion was issued on the financial statements taken as a whole.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 800,956	\$ 2,336	\$ 803,292
Investments	<u>101,838</u>	<u>0</u>	<u>101,838</u>
	<u>\$ 902,794</u>	<u>\$ 2,336</u>	<u>\$ 905,130</u>

TOWNSHIP OF GRANT  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking accounts and certificates of deposit)	\$ 701,764
Investments in financial institution pooled funds	<u>203,366</u>
Total	<u>\$ 905,130</u>

Deposits:

Deposits are carried at cost. Deposits of the Township are held at various financial institutions in the name of the Township. At March 31, 2005, the carrying amounts of the Township's deposits were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 634,585	\$ 642,334
Uninsured - uncollateralized	<u>67,179</u>	<u>67,179</u>
	<u>\$ 701,764</u>	<u>\$ 709,513</u>

Investments:

The Township has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- \* Accounts of federally insured banks, credit unions and savings and loan associations
- \* Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- \* United States government or federal agency obligation repurchase agreements
- \* Banker's acceptances of United States banks
- \* Commercial paper rated within the two highest classifications by not less than two standard rating services which matures not more than 270 days after the date of purchase
- \* Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF GRANT  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments: (Continued)

The Township's investments are categorized to give an indication of the level of risk assumed by the Township at March 31, 2005. The categories are described as follows:

Category 1 - Insured or registered, with securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name.

At March 31, 2005, the Township's investments consisted of municipal investment pools, which are not required to be categorized, with a carrying amount and market value of \$203,366.

NOTE 4 - RECEIVABLES AND PAYABLES WITHIN THE REPORTING ENTITY

The amounts of interfund receivables and payables as of March 31, 2005 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
General Fund	\$ 19,134	\$ 1,228
Road Fund	3,905	0
Fire Fund	0	3,809
Refuse Collection Fund	<u>0</u>	<u>17,340</u>
Total Major Governmental Funds	23,039	22,377
Fiduciary Funds	<u>0</u>	<u>662</u>
Total	<u>\$ 23,039</u>	<u>\$ 23,039</u>

The amounts of interfund receivables and payables for the primary government as of March 31, 2005 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 662	Current Tax Collection	\$ 662
General Fund	1,626	Fire Fund	1,626
General Fund	16,846	Refuse Collection Fund	16,846
Road Fund	1,228	General Fund	1,228
Road Fund	2,183	Fire Fund	2,183
Road Fund	<u>494</u>	Refuse Collection Fund	<u>494</u>
Total	<u>\$ 23,039</u>	Total	<u>\$ 23,039</u>

TOWNSHIP OF GRANT  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2005

NOTE 5 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund:			
Board of Review	\$ 950	\$ 1,312	\$ 362
Township Treasurer	\$ 26,600	\$ 27,040	\$ 440
Township Hall	\$ 9,200	\$ 9,442	\$ 242
Parks and Recreation	\$ 12,300	\$ 15,104	\$ 2,804
Fire Fund:			
Capital Outlay	\$ 13,000	\$ 125,334	\$ 112,334

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Township was \$61,049,740. The tax rates were .7157 mills for operations, 1.2367 mills for roads, 1.4206 mills for fire and 1.8946 mills for refuse collection.

NOTE 7 - OPERATING TRANSFERS

During the year ended March 31, 2005, the following transfers were made:

<u>Description</u>	<u>Operating</u> <u>Transfers In</u>	<u>Operating</u> <u>Transfers Out</u>
<u>Major Funds</u>		
Major Governmental Funds:		
General Fund	\$ 2,000	\$ 31,000
Road Fund	25,000	0
Refuse Collection Fund	<u>0</u>	<u>2,000</u>
Total Major Funds	27,000	33,000
Non-major Governmental Funds	<u>6,000</u>	<u>0</u>
	<u>\$ 33,000</u>	<u>\$ 33,000</u>

TOWNSHIP OF GRANT  
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2005

NOTE 7 - OPERATING TRANSFERS (CONTINUED)

During the year ended March 31, 2005, the following individual fund transfers were made:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
General Fund	\$ 2,000	Refuse Collection Fund	\$ 2,000
Road Fund	25,000	General Fund	25,000
Street Lights Fund	<u>6,000</u>	General Fund	<u>6,000</u>
Total	<u>\$ 33,000</u>	Total	<u>\$ 33,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township continues to carry commercial insurance for risks of loss. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION



TOWNSHIP OF GRANT  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 GENERAL FUND  
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Current property taxes	\$ 67,661	\$ 67,661	\$ 71,096	\$ 3,435
Licenses and permits	2,500	2,500	2,057	(443)
State grants and revenue	107,100	107,100	107,971	871
Charges for services	4,100	4,100	4,173	73
Interest and rentals	500	500	5,694	5,194
Other revenue	12,300	12,300	3,835	(8,465)
Total revenue	<u>194,161</u>	<u>194,161</u>	<u>194,826</u>	<u>665</u>
<u>Expenditures</u>				
General government:				
Township board	27,741	29,351	21,015	8,336
Township supervisor	15,150	15,150	14,211	939
Elections	3,550	3,960	3,030	930
Township assessor	36,100	36,100	34,602	1,498
Township clerk	18,900	18,900	18,147	753
Board of review	890	950	1,312	(362)
Township treasurer	25,600	26,600	27,040	(440)
Township hall	9,200	9,200	9,442	(242)
Cemetery	3,000	3,000	1,101	1,899
Community and economic development:				
Planning and zoning	10,730	10,930	8,145	2,785
Recreation and culture:				
Parks and recreation	12,300	12,300	15,104	(2,804)
Total expenditures	<u>163,161</u>	<u>166,441</u>	<u>153,149</u>	<u>13,292</u>
Excess of revenue over expenditures	<u>31,000</u>	<u>27,720</u>	<u>41,677</u>	<u>13,957</u>
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	0	0	2,000	2,000
Operating transfers out	(31,000)	(31,000)	(31,000)	0
Total other financing sources (uses)	<u>(31,000)</u>	<u>(31,000)</u>	<u>(29,000)</u>	<u>2,000</u>
Excess of revenue and other sources over (under) expenditures and other uses	0	(3,280)	12,677	15,957
Fund balances - beginning of year	<u>413,486</u>	<u>413,486</u>	<u>413,486</u>	<u>0</u>
Fund balances - end of year	<u>\$ 413,486</u>	<u>\$ 410,206</u>	<u>\$ 426,163</u>	<u>\$ 15,957</u>

TOWNSHIP OF GRANT  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 ROAD FUND  
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Current property taxes	\$ 32,192	\$ 32,192	\$ 82,875	\$ 50,683
Charges for service	<u>6,000</u>	<u>6,000</u>	<u>7,032</u>	<u>1,032</u>
Total revenue	38,192	38,192	89,907	51,715
<u>Expenditures</u>				
Public works:				
Highways, streets and bridges	<u>64,929</u>	<u>64,929</u>	<u>32,696</u>	<u>32,233</u>
Excess of revenue over (under) expenditures	(26,737)	(26,737)	57,211	83,948
<u>Other Financing Sources</u>				
Operating transfers in	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>0</u>
Excess of revenue and other sources over (under) expenditures	(1,737)	(1,737)	82,211	83,948
Fund balances - beginning of year	<u>40,065</u>	<u>40,065</u>	<u>40,065</u>	<u>0</u>
Fund balances - end of year	<u>\$ 38,328</u>	<u>\$ 38,328</u>	<u>\$ 122,276</u>	<u>\$ 83,948</u>

TOWNSHIP OF GRANT  
Iosco County, Michigan

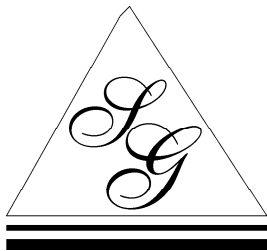
STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FIRE FUND  
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Current property taxes	\$ 83,245	\$ 83,245	\$ 86,727	\$ 3,482
Charges for services	19,000	19,000	15,688	(3,312)
Interest and rentals	0	0	896	896
Other revenue	0	0	1,505	1,505
Total revenue	<u>102,245</u>	<u>102,245</u>	<u>104,816</u>	<u>2,571</u>
<u>Expenditures</u>				
Public safety:				
Fire protection	69,245	71,145	47,705	23,440
Capital outlay	<u>33,000</u>	<u>13,000</u>	<u>125,334</u>	<u>(112,334)</u>
Total expenditures	<u>102,245</u>	<u>84,145</u>	<u>173,039</u>	<u>(88,894)</u>
Excess of revenue over (under) expenditures	0	18,100	(68,223)	86,323
Fund balances - beginning of year	<u>236,237</u>	<u>236,237</u>	<u>236,237</u>	<u>0</u>
Fund balances - end of year	<u>\$ 236,237</u>	<u>\$ 254,337</u>	<u>\$ 168,014</u>	<u>\$ 86,323</u>

TOWNSHIP OF GRANT  
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 REFUSE FUND  
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Current property taxes	\$ 111,015	\$ 111,015	\$ 115,665	\$ 4,650
Interest and rentals	0	0	1,714	1,714
Other revenue	0	0	325	325
Total revenue	111,015	111,015	117,704	6,689
<u>Expenditures</u>				
Public works:				
Refuse collection	104,015	102,015	77,145	24,870
Excess of revenue over expenditures	7,000	9,000	40,559	31,559
<u>Other Financing Uses</u>				
Operating transfers out	(2,000)	(2,000)	(2,000)	0
Excess of revenue over expenditures and other uses	5,000	7,000	38,559	31,559
Fund balances - beginning of year	171,578	171,578	171,578	0
Fund balances - end of year	\$ 176,578	\$ 178,578	\$ 210,137	\$ 31,559



*Stephenson Gracik & Co., P.C.*

Certified Public Accountants & Consultants

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Gerald D Gracik Jr., CPA  
James J Gracik, CPA  
E. Thad Gray, CPA  
Donald W. Brannan, CPA  
Kyle E Troyer, CPA

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Herman A Bertuleit, CPA

June 7, 2005

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Township Board  
Township of Grant  
Iosco County, Michigan

We have audited the financial statements of each major fund and the remaining fund information of the Township of Grant as of and for the year ended March 31, 2005, which collectively comprise a portion of the Township's basic financial statements and have issued our report thereon dated June 7, 2005. The report on the governmental activities was adverse because the Management Discussion and Analysis and Government-Wide Financial Statements were not included in the basic financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

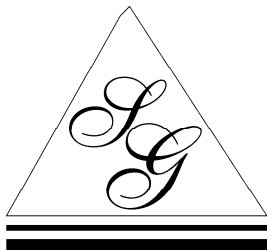
In planning and performing our audit, we considered the Township of Grant's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Grant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain other matters of noncompliance that we have reported to management of the Township in a separate letter dated June 7, 2005.

This report is intended solely for the information and use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Gracik & Co., P.C.*



# *Stephenson Gracik & Co., P.C.*

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Herman A Bertuleit, CPA

June 7, 2005

Members of the Township Board  
Township of Grant  
Iosco County, Michigan

Dear Board Members:

We have audited the financial statements of the Township of Grant for the year ended March 31, 2005, and have issued our report thereon dated June 7, 2005. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 16, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Grant. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township of Grant's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Grant are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the Township changed accounting policies as a result of adopting, with certain exceptions, Statement of Governmental Accounting Standards (GASB Statements) No. 33, 34, 36, 37 and 38, in the year ended March 31, 2005. We noted no transactions entered into by the Township of Grant during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

## Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Grant's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township of Grant, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Grant's financial reporting process.

Members of the Township Board  
Township of Grant  
June 7, 2005  
Page Two

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Grant's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Additional Information

As a result of our study and evaluation of the internal controls as described in the third paragraph and the results of our tests of compliance, as described in the fourth paragraph, certain matters came to our attention upon which we would like to comment and offer the following recommendations:

Budget Control

The Township incurred expenditures in various funds in excess of appropriated amounts. We recommend that the Township Board review budgets on a periodic basis and amend as needed to be in compliance with the Uniform Budgeting and Accounting Act. The Township should budget for all estimated expenditures including expenditures using accumulated surplus fund balance as opposed to current revenues.

Tax Collection Account

The tax collection account was not summarized for the year. We recommend that all activity of the tax collection account be summarized and reconciled to the bank activity as collections are received and disbursements made throughout the collection period and annually at the time of settlement. This will help avoid inappropriate overpayments and insure timely payments for all collections.

Property tax collections for operations, roads, fire and refuse collection were not distributed and allocated properly to the fund for which it was levied. Taxes levied for a specific purpose must be deposited into the proper fund and cannot be spent for a purpose other than that for which the tax was levied.

We wish to express our appreciation for the cooperation and courtesies extended our staff by the employees of the Township.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Stephenson, Grath & Co., P.C.*